

Ms. Linda Holtzscheiter, Reimbursement Manager  
Mariner Post-Acute Network  
15415 Katy Freeway, Suite 800  
Houston, Texas 77094

Re: AC# 3-BCC-J6 – Brian Center of Central Columbia, Inc. d/b/a Brian Center  
Nursing Care/Columbia

Dear Ms. Holtzscheiter:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1995 through September 30, 1996. That report was used to set the rate covering the contract periods beginning October 1, 1997.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/cwc

cc: Ms. Brenda L. Hyleman  
Mr. Jeff Saxon  
Mr. Mac Carroll

**BRIAN CENTER OF CENTRAL COLUMBIA, INC.  
D/B/A BRIAN CENTER NURSING CARE/COLUMBIA**

**COLUMBIA, SOUTH CAROLINA**

**CONTRACT PERIODS  
BEGINNING OCTOBER 1, 1997  
AC# 3-BCC-J6**

**REPORT ON CONTRACT  
FOR  
PURCHASE OF NURSING CARE SERVICES  
WITH  
STATE OF SOUTH CAROLINA  
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

September 11, 1998

Department of Health and Human Services  
State of South Carolina  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Brian Center of Central Columbia, Inc. d/b/a Brian Center Nursing Care/Columbia, for the contract periods beginning October 1, 1997 and for the twelve month cost report period ended September 30, 1996, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with the standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Brian Center of Central Columbia, Inc. d/b/a Brian Center Nursing Care/Columbia, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Brian Center of Central Columbia, Inc. d/b/a Brian Center Nursing Care/Columbia dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services  
State of South Carolina  
September 11, 1998

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA  
State Auditor

**BRIAN CENTER NURSING CARE/COLUMBIA**

Computation of Rate Change  
For the Contract Periods  
Beginning October 1, 1997  
AC# 3-BCC-J6

10/01/97-  
09/30/98

|                                |                       |
|--------------------------------|-----------------------|
| Interim reimbursement rate (1) | \$84.76               |
| Adjusted reimbursement rate    | <u>81.69</u>          |
| Decrease in reimbursement rate | \$ <u><u>3.07</u></u> |

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated July 17, 1998

**BRIAN CENTER NURSING CARE/COLUMBIA**  
Computation of Adjusted Reimbursement Rate  
For the Contract Periods October 1, 1997 Through September 30, 1998  
AC# 3-BCC-J6

|                                                                    | <u>Profit<br/>Incentive</u> | <u>Allowable<br/>Cost</u> | <u>Cost<br/>Standard</u> | <u>Computed<br/>Rate</u> |
|--------------------------------------------------------------------|-----------------------------|---------------------------|--------------------------|--------------------------|
| <u>Costs Subject to Standards:</u>                                 |                             |                           |                          |                          |
| General Services                                                   |                             | \$38.60                   | \$46.38                  |                          |
| Dietary                                                            |                             | 8.21                      | 9.01                     |                          |
| Laundry/Housekeeping/Maint.                                        |                             | <u>7.72</u>               | <u>7.38</u>              |                          |
| Subtotal                                                           | \$ <u>4.39</u>              | 54.53                     | 62.77                    | \$54.53                  |
| Administration & Med. Rec.                                         | \$ <u>1.22</u>              | <u>7.98</u>               | <u>9.20</u>              | <u>7.98</u>              |
|                                                                    |                             | 62.51                     | \$ <u>71.97</u>          | 62.51                    |
| <u>Costs Not Subject to Standards:</u>                             |                             |                           |                          |                          |
| Utilities                                                          |                             | 1.77                      |                          | 1.77                     |
| Special Services                                                   |                             | 1.16                      |                          | 1.16                     |
| Medical Supplies & Oxy.                                            |                             | 3.09                      |                          | 3.09                     |
| Taxes and Insurance                                                |                             | 1.94                      |                          | 1.94                     |
| Legal Fees                                                         |                             | <u>-</u>                  |                          | <u>-</u>                 |
| <b>TOTAL</b>                                                       |                             | \$ <u>70.47</u>           |                          | 70.47                    |
| Inflation Factor (4.40%)                                           |                             |                           |                          | 3.10                     |
| Cost of Capital                                                    |                             |                           |                          | 6.49                     |
| Cost of Capital Limitation                                         |                             |                           |                          | (.62)                    |
| Profit Incentive (Max. 3.5% of Allowable Cost)                     |                             |                           |                          | 1.22                     |
| Cost Incentive                                                     |                             |                           |                          | 4.39                     |
| Effect of \$1.75 Cap on Cost/Profit Incentives<br>and Cost Sharing |                             |                           |                          | (3.86)                   |
| Minimum Wage Add On                                                |                             |                           |                          | <u>.50</u>               |
| <b>ADJUSTED REIMBURSEMENT RATE</b>                                 |                             |                           |                          | <u>\$81.69</u>           |

**BRIAN CENTER NURSING CARE/COLUMBIA**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1996  
AC# 3-BCC-J6

| <u>EXPENSES</u>                     | Totals (From<br>Schedule SC 13) as<br><u>Adjusted by DH&amp;HS</u> | <u>Debit</u>           | Adjustments<br><u>Credit</u>                                | <u>Adjusted<br/>Totals</u> |
|-------------------------------------|--------------------------------------------------------------------|------------------------|-------------------------------------------------------------|----------------------------|
| General Services                    | \$3,693,828                                                        | \$ -                   | \$ 661 (5)<br>5 (5)<br>6,569 (6)<br>164,796 (9)             | \$3,521,797                |
| Dietary                             | 749,395                                                            | -                      | -                                                           | 749,395                    |
| Laundry                             | 155,838                                                            | -                      | 1,729 (5)                                                   | 154,109                    |
| Housekeeping                        | 262,274                                                            | 831 (10)               | 65 (5)<br>1,082 (11)                                        | 261,958                    |
| Maintenance                         | 306,883                                                            | 916 (10)               | 3,401 (2)<br>108 (5)<br>198 (6)<br>14,231 (8)<br>1,147 (11) | 288,714                    |
| Administration &<br>Medical Records | 791,978                                                            | 1,596 (10)             | 73 (5)<br>338 (5)<br>63,927 (6)<br>2 (6)<br>1,481 (11)      | 727,753                    |
| Utilities                           | 174,484                                                            | 102 (6)<br>521 (10)    | 8,881 (3)<br>3,698 (7)<br>643 (11)                          | 161,885                    |
| Special Services                    | 107,611                                                            | 8 (6)                  | 1,507 (5)                                                   | 106,112                    |
| Medical Supplies<br>& Oxygen        | 308,529                                                            | -                      | 7,656 (4)<br>19,010 (5)                                     | 281,863                    |
| Taxes & Insurance                   | 142,486                                                            | 34,646 (6)<br>415 (10) | 690 (11)                                                    | 176,857                    |



**BRIAN CENTER NURSING CARE/COLUMBIA**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1996  
AC# 3-BCC-J6

| <u>EXPENSES</u>             | Totals (From<br>Schedule SC 13) as<br><u>Adjusted by DH&amp;HS</u> | Adjustments<br><u>Debit</u>                                       | <u>Credit</u>                        | <u>Adjusted<br/>Totals</u> |
|-----------------------------|--------------------------------------------------------------------|-------------------------------------------------------------------|--------------------------------------|----------------------------|
| Legal Fees                  | 5,869                                                              | 13 (10)                                                           | 5,882 (6)                            | -                          |
| Cost of Capital             | 700,775                                                            | 580 (10)<br>12,246 (12)                                           | 81,321 (1)<br>40,002 (6)<br>303 (11) | 591,975                    |
| Subtotal                    | 7,399,950                                                          | 51,874                                                            | 429,406                              | 7,022,418                  |
| Ancillary                   | 185,970                                                            | -                                                                 | -                                    | 185,970                    |
| Non-Allowable               | 361,088                                                            | 81,321 (1)<br>7,656 (4)<br>23,496 (5)<br>31,809 (6)<br>5,346 (11) | 4,872 (10)<br>12,246 (12)            | 493,598                    |
| Total Operating<br>Expenses | <u>\$7,947,008</u>                                                 | <u>\$201,502</u>                                                  | <u>\$446,524</u>                     | <u>\$7,701,986</u>         |
| TOTAL PATIENT DAYS          | <u>*91,240</u>                                                     | <u>-</u>                                                          | <u>-</u>                             | <u>91,240</u>              |

\*Adjusted to 97% occupancy

TOTAL BEDS 257

**BRIAN CENTER NURSING CARE/COLUMBIA**  
Adjustment Report  
Cost Report Period Ended September 30, 1996  
AC# 3-BCC-J6

| <u>ADJUSTMENT<br/>NUMBER</u> | <u>ACCOUNT TITLE</u>                                                                                                   | <u>DEBIT</u> | <u>CREDIT</u> |
|------------------------------|------------------------------------------------------------------------------------------------------------------------|--------------|---------------|
| 1                            | Accumulated Depreciation                                                                                               | \$ 101,329   |               |
|                              | Other Equity                                                                                                           | 1,057,062    |               |
|                              | Nonallowable                                                                                                           | 81,321       |               |
|                              | Fixed Assets                                                                                                           |              | \$1,158,391   |
|                              | Cost of Capital                                                                                                        |              | 81,321        |
|                              | To adjust fixed assets and related depreciation to allowable<br>HIM-15-1, Section 2304<br>State Plan, Attachment 4.19D |              |               |
| 2                            | Retained Earnings                                                                                                      | 3,401        |               |
|                              | Maintenance                                                                                                            |              | 3,401         |
|                              | To properly charge expense applicable to the prior period<br>HIM-15-1, Section 2302.1                                  |              |               |
| 3                            | Retained Earnings                                                                                                      | 8,881        |               |
|                              | Utilities                                                                                                              |              | 8,881         |
|                              | To properly charge expense applicable to the prior period<br>HIM-15-1, Section 2302.1                                  |              |               |
| 4                            | Nonallowable                                                                                                           | 7,656        |               |
|                              | Medical Supplies                                                                                                       |              | 7,656         |
|                              | To disallow expense due to lack of adequate documentation<br>HIM-15-1, Section 2304                                    |              |               |
| 5                            | Nonallowable                                                                                                           | 23,496       |               |
|                              | Nursing                                                                                                                |              | 661           |
|                              | Restorative                                                                                                            |              | 5             |
|                              | Laundry                                                                                                                |              | 1,729         |
|                              | Housekeeping                                                                                                           |              | 65            |
|                              | Maintenance                                                                                                            |              | 108           |
|                              | Administration                                                                                                         |              | 73            |
|                              | Medical Records                                                                                                        |              | 338           |
|                              | Medical Supplies                                                                                                       |              | 19,010        |
|                              | Special Services                                                                                                       |              | 1,507         |
|                              | To adjust expense to cost of related organization<br>HIM-15-1, Section 1000                                            |              |               |

**BRIAN CENTER NURSING CARE/COLUMBIA**  
Adjustment Report  
Cost Report Period Ended September 30, 1996  
AC# 3-BCC-J6

| <u>ADJUSTMENT<br/>NUMBER</u> | <u>ACCOUNT TITLE</u>                                                                                            | <u>DEBIT</u> | <u>CREDIT</u> |
|------------------------------|-----------------------------------------------------------------------------------------------------------------|--------------|---------------|
| 6                            | Other Income                                                                                                    | 50,015       |               |
|                              | Utilities                                                                                                       | 102          |               |
|                              | Taxes and Insurance                                                                                             | 34,646       |               |
|                              | Special Services                                                                                                | 8            |               |
|                              | Nonallowable                                                                                                    | 31,809       |               |
|                              | Nursing                                                                                                         |              | 6,569         |
|                              | Maintenance                                                                                                     |              | 198           |
|                              | Administration                                                                                                  |              | 63,927        |
|                              | Medical Records                                                                                                 |              | 2             |
|                              | Legal                                                                                                           |              | 5,882         |
|                              | Cost of Capital                                                                                                 |              | 40,002        |
|                              | To adjust home office cost allocation<br>to allowable<br>HIM-15-1, Section 2304<br>State Plan, Attachment 4.19D |              |               |
| 7                            | Vending Income                                                                                                  | 3,698        |               |
|                              | Utilities                                                                                                       |              | 3,698         |
|                              | To properly offset income against<br>related expense<br>HIM-15-1, Sections 2102.3 and 2328                      |              |               |
| 8                            | Miscellaneous Income                                                                                            | 14,231       |               |
|                              | Maintenance                                                                                                     |              | 14,231        |
|                              | To properly offset income against<br>related expense<br>HIM-15-1, Sections 2304 and 2328                        |              |               |
| 9                            | Bed Hold Revenue                                                                                                | 164,796      |               |
|                              | Nursing                                                                                                         |              | 164,796       |
|                              | To properly offset revenue against<br>related expense<br>HIM-15-1, Sections 2105.3 and 2328                     |              |               |

**BRIAN CENTER NURSING CARE/COLUMBIA**  
Adjustment Report  
Cost Report Period Ended September 30, 1996  
AC# 3-BCC-J6

| ADJUSTMENT<br>NUMBER | ACCOUNT TITLE                                                                                                                                                      | DEBIT              | CREDIT             |
|----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|
| 10                   | Housekeeping                                                                                                                                                       | 831                |                    |
|                      | Maintenance                                                                                                                                                        | 916                |                    |
|                      | Administration                                                                                                                                                     | 1,596              |                    |
|                      | Legal                                                                                                                                                              | 13                 |                    |
|                      | Utilities                                                                                                                                                          | 521                |                    |
|                      | Taxes and Insurance                                                                                                                                                | 415                |                    |
|                      | Cost of Capital                                                                                                                                                    | 580                |                    |
|                      | Nonallowable                                                                                                                                                       |                    | 4,872              |
|                      | To reverse DH&HS adjustment to<br>remove indirect costs applicable to<br>non-reimbursable cost centers<br>HIM-15-1, Section 2102.3<br>State Plan, Attachment 4.19D |                    |                    |
| 11                   | Nonallowable                                                                                                                                                       | 5,346              |                    |
|                      | Housekeeping                                                                                                                                                       |                    | 1,082              |
|                      | Maintenance                                                                                                                                                        |                    | 1,147              |
|                      | Administration                                                                                                                                                     |                    | 1,481              |
|                      | Utilities                                                                                                                                                          |                    | 643                |
|                      | Taxes and Insurance                                                                                                                                                |                    | 690                |
|                      | Cost of Capital                                                                                                                                                    |                    | 303                |
|                      | To remove indirect costs applicable<br>to non-reimbursable cost centers<br>HIM-15-1, Section 2102.3<br>State Plan, Attachment 4.19D                                |                    |                    |
| 12                   | Cost of Capital                                                                                                                                                    | 12,246             |                    |
|                      | Nonallowable                                                                                                                                                       |                    | 12,246             |
|                      | To adjust cost of capital to allowable<br>State Plan, Attachment 4.19D                                                                                             |                    |                    |
|                      | TOTAL ADJUSTMENTS                                                                                                                                                  | <u>\$1,604,915</u> | <u>\$1,604,915</u> |

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

**BRIAN CENTER NURSING CARE/COLUMBIA**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 1996  
AC# 3-BCC-J6

|                                                                    |                       |
|--------------------------------------------------------------------|-----------------------|
| Original Asset Cost (Per Bed)                                      | \$ 15,618             |
| Inflation Adjustment                                               | <u>2.1144</u>         |
| Deemed Asset Value (Per Bed)                                       | 33,022                |
| Number of Beds                                                     | <u>257</u>            |
| Deemed Asset Value                                                 | 8,486,654             |
| Improvements Since 1981                                            | 1,053,432             |
| Accumulated Depreciation at 9/30/96                                | <u>(2,161,619)</u>    |
| Deemed Depreciated Value                                           | 7,378,467             |
| Market Rate of Return                                              | <u>0.070</u>          |
| Total Annual Return                                                | 516,493               |
| Return Applicable to Non-Reimbursable Cost Centers                 | (2,012)               |
| Allocation of Interest to Non-Reimbursable<br>Cost Centers         | <u>-</u>              |
| Allowable Annual Return                                            | 514,481               |
| Depreciation Expense                                               | 117,563               |
| Amortization Expense                                               | 10,105                |
| Capital Related Income Offsets                                     | (49,871)              |
| Allocation of Capital Expenses to Non-Reimbursable<br>Cost Centers | <u>(303)</u>          |
| Allowable Cost of Capital Expense                                  | 591,975               |
| Total Patient Days (Minimum 97% Occupancy)                         | <u>91,240</u>         |
| Cost of Capital Per Diem                                           | \$ <u><u>6.49</u></u> |

**BRIAN CENTER NURSING CARE/COLUMBIA**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 1996  
AC# 3-BCC-J6

|                                              |                |
|----------------------------------------------|----------------|
| 6/30/89 Cost of Capital and Return on Equity |                |
| Capital Per Diem Reimbursement               | \$1.88         |
| Adjustment for Maximum Increase              | <u>3.99</u>    |
| Maximum Cost of Capital Per Diem             | <u>\$5.87</u>  |
| Reimbursable Cost of Capital Per Diem        | \$5.87         |
| Cost of Capital Per Diem                     | <u>6.49</u>    |
| Cost of Capital Per Diem Limitation          | <u>\$(.62)</u> |